

Home Working



Since Covid-19 more businesses have taken a hybrid approach to their working policies. As a result, employees are working from home more frequently and this can result in some complex employee benefit situations.



Providing employees with equipment or paying for their household bills while they work from home can give rise to a taxable benefit which must be reported on a P11D or taxed through the payroll.

Equipment

During employment:

Equipment provided to employees for the purposes of homeworking, such as computer stands, desks and chairs are exempt if the following conditions are met:

- The equipment has been provided solely to enable the performance of the employees' duties,
- Private use of the equipment is insignificant. Private use restrictions should be set out in company homeworking policy and this should be clearly communicated to employees,
- The equipment is owned by the employer rather than the employee.

If the equipment is provided for personal and business use it is a taxable benefit and must be reported on a P11D.

There are separate rules for mobile phones. See statutory exemptions [quickguide here](#).

At the end of employment:

If an employee retains the equipment when they leave employment this could result in a taxable benefit to be reported on a P11D based on the value of the equipment at this date.

You should keep track of equipment gifted to employees at the end of their employment so the correct taxable benefits can be reported. Alternatively, ask that the employee returns the item or pay you the market value for the item if they want to keep it so that the taxable benefit is avoided.

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Disclaimer: This note does not contain a full statement of the law and it does not constitute legal advice. Please contact us if you have any questions about the information set out above.

Household expenses and bills

Employees may be paid £6 per week (£26 per month) towards homeworking costs tax free provided a formal home working arrangement is in place. This arrangement can be permanent or allow the employee to work in the office for a particular number of days a week/month.

Where the employee chooses to work from home (switches between the office and home with no arrangement in place) this allowance would not be tax free as no formal arrangement is in place.

Paying additional 'reasonable' costs to employees such as increased heating, electricity and light costs is exempt from taxation if the following condition is met:

Working from home is an objective requirement of the role. For example the office has been closed completely for the whole company or a particular department.

Additional expenses paid should be net of any tax-free homeworking allowance provided. This means that employees should not be reimbursed both their tax free allowance and additional household expenses.

For example:

Company A covered the cost of an employees' monthly broadband in full.

The employee already had an internet connection in their home prior to working from home and the cost of their monthly broadband was the same. The employee works from home 2 days per week and spends the rest of their week in the office.

There is no additional cost to the employee due to working from home, so this is considered a taxable benefit. The employee also does work in the office during the week therefore working from home is not an objective requirement of the role.

When household bills do become taxable this may need to be taxed on a P11D or through the payroll as earnings. The rules surrounding this treatment can be complex and should be considered carefully.

Please contact p11d@ouryclark.com for more details.